

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 AGRE-00 DODE-00 PM-04 H-01 L-03 PA-01 PRS-01
SAJ-01 /089 W

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FM AMCONSUL HONG KONG

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INFO USLO PEKING

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E.O. 11652: NA

TAGS: ECON, CH

SUBJECT: INDUSTRIAL ORGANIZATION-CONTROLLED INITIATIVE

SUMMARY: RECENT PRC ENTRAL MEDIA STATEMENTS POINT TO AN ATTEMPT TO ADJUST AND TIGHTEN UP CONTROL OVER THE INDUSTRIAL SYSTEM. WHILE THE TREND IN DISCUSSION DOES NOT SUGGEST A MAJOR CHANGE IN ORIENTATION, IT DOES IMPLY A STEP BACK FROM THE MORE EXTREME FEATURES OF DECENTRALIZATION IN AN ATTEMPT TO RATIONALIZE THE SYSTEM ALONG MORE ORTHODOX-YET STILL MAOIST-LINES.

1. AS CHINA'S POST-MAO LEADERSHIP MOVES TO RESTORE ORDER AND REGAIN ECONOMIC MOMENTUM, ONE OF ITS KEY CONCERNS IS TO TIGHTEN CONTROL AND SUPERVISION OVER THE ECONOMY AT ALL LEVELS. WHILE MUCH OF THIS INVOLVES BETTER MANAGEMENT PROCEDURES UP AND DOWN THE LINE, CLOSER CENTRAL SUPERVISION OVER VITAL SECTORS OF THE ECONOMY ALSO APPEARS TO BE IN STORE. MORE ACTIVE CENTRAL INVOLVEMENT IN AGRICULTURAL ACTIVITIES THAT WERE PREVIOUSLY THE SOLE PRESERVE OF LOCAL AUTHORITIES WAS CLEARLY ONE OF THE
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POINTS VP CHEN YUNG-KUEI SOUGHT TO MAKE IN HIS SPEECH AT THE SECOND TACHAI CONFERENCE (76 HK 14927). DEVELOPING THIS THEME IN INDUSTRY, AN NCNA DOMESTIC SERVICE BROADCAST OF A FEB 12 PEOPLE'S DAILY ARTICLE BY THE MASS CRITICISM GROUP OF THE MINISTRY OF METALLURGICAL INDUSTRY DISCUSSES DISRUPTIVE "GANG OF FOUR" ACTIVITIES IN CHINA'S STEEL INDUSTRY AND CLEARLY SUGGESTS THE NEED

FOR INCREASED AUTHORITY BY THE MINISTRY OF METALLURGY.

2. DESCRIBING THE FORTUNES OF THE STEEL INDUSTRY SINCE 1973, THE ARTICLE FOCUSES ON THE KEY ROLE OF A CENTRAL COMMITTEE DOCUMENT ISSUED JUNE 4, 1975 ON THE STEEL INDUSTRY (UNOFFICIALLY IDENTIFIED AS CENTRAL DOCUMENT 13). ACCORDING TO THE ARTICLE, THE DOCUMENT CONCERNED "ORGANIZATIONAL MEASURES". IT STRESSED THE NECESSITY OF STRENGTHENING THE LEADERSHIP OF THE VARIOUS PARTY COMMITTEES INVOLVED IN THE INDUSTRY AND, SIGNIFICANTLY, OF REINFORCING THE "LEADING GROUP OF THE MINISTRY OF METALLURGICAL INDUSTRY". CALLING THEM "TIMELY AND ESSENTIAL;" THE ARTICLE REFERS TO "ORGANIZATIONAL MEASURES" PROMULGATED IN "STATE COUNCIL DIRECTIVES" TO BRING ABOUT GREATER CONTROL OVER THE IRON AND STEEL INDUSTRY. BY IMPLICATION, ADOPTION OF THESE MEASURES NOW IS CLEARLY ENSURED. THE ARTICLE REFERS TO A NUMBER OF LARGE IRON AND STEEL ENTERPRISES" WHERE "SERIOUS LOSSES" IN PRODUCTION OCCURED. LIAONING, ANSHAN AND WUHAN ARE SPECIFICALLY MENTIONED INT THIS CONTEXT. AT THE WUHAN IRON AND STEEL COMPANY DISRUPTIONS AT "ONE TIME" (1974-MID 1975 IS PL IMPLIED) CAUSED PRODUCTION TO COME TO A "STANDSTILL ORE SEMI"STANDSTILL". OUTPUT WAS NOT ABLE TO RECOVER FULLY EVEN AFTER CENTRAL DOCUMENT 13 WAS ISSUED BECASUE OF ENTRENCHED FACTIONALISM.

3. COMMENT: BY RESURRECTING CENTRAL DOCUMENT 13 AND BRINGING OUT ITS IMPORTANCE AS AN ORGANIZATIONAL LIMITED OFFICIAL USE

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MEASURE AIMED AT STRENGTHENING VERTICAL CONTROL OVER THE STEEL INDUSTRY THROUGH THE MINISTRY AS WELL AS PARTY CONTROL AT ALL LEVELS, THE ARTICLE SUPPORTS THE GENERAL TENOR OF CURRENT ECONOMIC POLICY EMPHASIS ON ORDERLY, SYSTEMATIC MANAGEMENT PRINCIPLES. (AS THE CRITICISM GROUP IS UNDOBTEDLY AWARE SUCH EMPHASIS WAS ALSO A MAJOR ELEMENT IN TENG HSIAO-PING'S INDUSTRIAL PROGRAM.)

4. THIS APPROACH STOPS FAR SHORT OF CENTRALIZED PLANNING ON THE SOVIET MODEL, HOWEVER, CURRENT LEADERSHIP INTERPRETATION OF MAO'S TEN MAJOR RELATIONSHIPS" AS THEY APPLY TO THIS QUESTION PRESCRIBES A FORM OF "CONTROLLED INITIATIVE" THAT SEEKS TO ENCOURAGE A MODERATE LEVEL OF LOCAL INDEPENDENCE WHILE ENSURING PRIMARY ADHERENCE TO STATE REQUIRMENTS (SEE PEKING DOMESTIC SERVICE FEB 6). WHILE AS OF NOW INDUSTRIAL ORGANIZATION POLICY APPEARS DIRECTED AT NO MORE THAN A REFINEMENT OR TIGHTENING OF THE PRESENT

SYSTEM RATHER THAN A MAJOR CHANGE IN ORIENTATION,
THE PENDULUM IS CLEARLY SWINGING AWAY FROM FURTHER
DECENTRALIZATION AS OCCURRED IN 1958 DURING THE
GREAT LEAP AND IN 1970 AFTER THE CULTURAL REVOLUTION.
IN THIS SENSE IT REPRESENTS RATIONALIZATION OF A SYSTEM
THAT HAS UNDERGONE PERIODIC REVISION SINCE THE 1950'S IN
AN ATTEMPT TO FIND THE RIGHT BALANCE OF CENTRAL CONTROL
AND LOCAL INITIATIVE. THE CURRENT TREND STRONGLY
SUGGESTS A STEP BACK FROM THE MORE EXTREME AND
INAPPROPRIATE FEATURES OF DECENTRALIZATION, AND AN
ENHANCED ROLE FOR CENTRAL GOVERNMENT REQUIREMENTS IN
THE ECONOMY. IN SHORT IT APPEARS TO REPRESENT AT LEAST
A PARTIAL STEP TOWARD CENTRAL PLANNING OF A MORE
ORTHODOX NATURE RETAINING A STRONG MAOIST FLAVOR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: HONG KONG
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770237/aaaabgkk.tel
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Previous Classification: LIMITED OFFICIAL USE
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Review Media Identifier:
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: INDUSTRIAL ORGANIZATION-CONTROLLED INITIATIVE SUMMARY: RECENT PRC ENTRAL MEDIA STATEMENTS POINT TO AN ATTEMPT TO ADJUST AND TIGHTEN UP CONTROL OVER T
TAGS: ECON, CH
To: STATE
Type: TE
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